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OXY.N - Q1 2025 Occidental Petroleum Corp Earnings Call

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**OVERVIEW:**

Company Summary

## CORPORATE PARTICIPANTS

**Jordan Tanner** *Occidental Petroleum Corp - Vice President, Investor Relations*

**Vicki Hollub** *Occidental Petroleum Corp - President and Chief Executive Officer*

**Sunil Mathew** *Occidental Petroleum Corp - Senior Vice President and Chief Financial Officer*

**Richard Jackson** *Occidental Petroleum Corp - President Operations, U.S. Onshore Resources and Carbon Management*

**Kenneth Dillon** *Occidental Petroleum Corp - Senior Vice President and President, International Oil and Gas Operations*

## CONFERENCE CALL PARTICIPANTS

**Devin McDermott** *Morgan Stanley & Co LLC. - Analyst*

**Doug Leggett** *Wolfe Research, LLC - Analyst*

**Arun Jayaram** *J.P. Morgan Securities LLC - Analyst*

**Neil Mehta** *Goldman Sachs & Company, Inc - Analyst*

**Jean Ann Salisbury** *Bank of America Securities - Analyst*

**Paul Cheng** *Scotia Howard Weil - Analyst*

**Leo Mariani** *Roth Capital Partners, LLC - Analyst*

## PRESENTATION

**Operator**

Hello, and welcome to Occidental's first quarter 2025 earnings conference call. (Operator Instructions) Please note, this event is being recorded. I would now like to turn the conference over to Jordan Tanner, Vice President of Investor Relations. Please go ahead.

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**Jordan Tanner** - *Occidental Petroleum Corp - Vice President, Investor Relations*

Thank you, MJ. Good afternoon, everyone, and thank you for participating in Occidental's first quarter 2025 earnings conference call. On the call with us today are Vicki Hollub, President and Chief Executive Officer; Sunil Mathew, Senior Vice President, and Chief Financial Officer; Richard Jackson, President Operations, U.S. Onshore Resources and Carbon Management; and Ken Dillon, Senior Vice President and President, International Oil and Gas Operations.

This afternoon, we will refer to slides available on the Investors section of our website. The presentation includes a cautionary statement on slide 2 regarding forward-looking statements that will be made on the call this afternoon. We'll also reference a few non-GAAP financial measures today. Reconciliations to the nearest corresponding GAAP measure can be found in the schedules to our earnings release and on our website. I'll now turn the call over to Vicki.

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**Vicki Hollub** - *Occidental Petroleum Corp - President and Chief Executive Officer*

Thank you, Jordan, and good afternoon, everyone. I'll begin today by highlighting our first quarter performance in which all three segments delivered strong results. Then I'll detail some promising new developments taking shape in Oman, recent debt reduction progress, and how we are approaching activity levels in a macro environment with heightened volatility and uncertainty.

Our teams once again delivered outstanding performance across the portfolio, generating $3 billion in operating cash flow before working capital in the first quarter while handling challenges from weather and seasonality.

Our oil and gas business produced at just over 1.39 million BOE per day. That's at the midpoint of our production guidance. Our domestic oil and gas operating cost of $9.05 per BOE came in substantially below our initial expectations. These results reflect the team's relentless pursuit of efficiency, cost management, and safe operations.

Our 2025 development activities are progressing well alongside the operational excellence and innovation initiatives we discussed last quarter. Already, we are seeing meaningful advancements in one of our key focus areas, that's efficiency-driven well cost reductions.

In the Permian, enhanced well designs and strong execution have resulted in a 15% improvement in drilling duration per well versus last year, with particularly notable performance in the Delaware Basin. These achievements, along with more efficient completions and pad utilization, have reduced our Permian unconventional well costs by more than 10% compared to last year, already surpassing the 5% to 7% target we outlined just a few months ago.

The drilling efficiency gains give us the confidence to drop two drilling rigs from our Delaware Basin program this year. Thanks to accelerated cycle times and improved time-to-market, we expect to bring more wells online and with slightly increased production even with this reduced rig count.

As outlined during our last call, we expect company-wide production to grow from the first quarter through to the second half of the year. Growth will primarily be driven by the completion of turnarounds in the Middle East as well as a variety of activities planned in the Gulf of America.

Steady onshore development should also be a significant driver and will more than offset volumes associated with recent divestitures. Turning to Oman, I'm pleased to share that we are in advanced negotiations with the Oman government to extend the current Block 53 contract by 15 years to 2050. This agreement is aimed to deliver significant value to all stakeholders while closely supporting Oman's national objectives.

Block 53 includes the Mukhaizna field, already recognized as a world-class steam flood. The proposed expansion would cover all reservoirs, including both low decline enhanced oil recovery and primary production across stacked-pay formations. We see the potential to unlock more than 800 million gross barrels of additional resources that offer competitive returns. While final negotiations and a formal agreement are still pending, we believe this extension will enhance Oxy's cash flow beginning in 2025.

We're proud of the deep roots, strong relationships, and mutually beneficial partnerships we've built in Oman over the past several decades. These partnerships have been central to our shared success, including recent exploration achievements and that momentum continues to build.

In North Oman, we recently made a significant gas and condensate discovery with estimated resources in place exceeding 250 million barrels of oil equivalent. While it is still early days with appraisal and development plans under evaluation, the resource is advantageously located near existing infrastructure.

OxyChem's performance also exceeded expectations, delivering $215 million on an adjusted basis. The business overcame several operational challenges associated with winter weather, which impacted production and increased raw material cost for ethylene and power. Looking ahead, we expect OxyChem to continue extending its market leadership as a low-cost operator.

Our Midstream and Marketing business significantly outperformed the high end of our guidance range for the first quarter. Results were driven by strong gas marketing optimization in the Permian, where our teams captured value during a period in March of heightened third-party midstream maintenance and regional pricing disparities. In addition, the midstream business benefited from a healthy market for sulfur produced at Al Hosn – contributing further to our strong quarter.

While STRATOS continues to advance towards commissioning and start-up in West Texas, we are pleased to be making commercial advancements in other parts of our low-carbon portfolio. In April, 1PointFive signed a landmark 25-year carbon offtake agreement with CF Industries and its partners for their planned low-carbon ammonia facility in Louisiana. This agreement supports the transportation and geologic storage of approximately 2.3 million metric tons of carbon dioxide annually at our Pelican Hub.

Agreements like this highlight Oxy's unique capabilities and demonstrate the growing demand for large-scale carbon management solutions to support major investments in American manufacturing and creation of jobs. Importantly, this contract does not require near-term capital expenditures and fits squarely within our disciplined growth strategy in Low Carbon Ventures.

Our first quarter results continue to demonstrate how the quality of assets, the talent of our teams, and our culture of innovation, serve as catalysts for strong financial results and provide a solid foundation for free cash flow generation.

Turning now to our deleveraging progress. Our cash flow priorities aim to position the company for long-term success. Debt reduction remains a key focus, and we are committed to strengthening our financial position to support a more meaningful return of capital to common shareholders across the commodity cycles. In the meantime, we believe equity holders will benefit from the rebalancing of enterprise value into common equity through steady debt reduction. And we're making significant and steady progress.

Year-to-date, we've retired $2.3 billion in debt with cash sourced from non-core oil and gas divestitures, common warrant proceeds, and organic cash flow. Over the past 10 months, we've repaid a total of $6.8 billion, reducing annual interest expense by $370 million. All 2025 maturities have been retired, providing us with a more comfortable runway over the next 14 months. As we evaluate options to further accelerate deleveraging, including potential divestitures, we will remain dedicated to disciplined execution and long-term value creation.

Now I'd like to briefly address the current market environment. Uncertainty around demand, policy, and supply is creating headwinds for the sector and increasing commodity price volatility. From trade and tariffs to the return of OPEC+ volumes, oil markets are under pressure from multiple fronts. As operators, we cannot control the macro, but we can control how we respond. We are taking proactive steps in response to the current environment to enhance this year's program.

The Permian rig reductions are complemented by project scope and timing optimizations across the portfolio, including the Gulf of America. Together, these actions have enabled us to lower capital guidance for the year by $200 million. We're also executing significant cost actions with $150 million in estimated 2025 opex savings. These steps will strengthen margins and enhance financial resilience with minimal impact on this year's production.

We are closely monitoring the evolving macro backdrop and remain ready to take additional action if needed. We believe the diversity of our portfolio and flexibility of our development programs position us well to respond quickly to changing conditions. If commodity prices weaken meaningfully, we are prepared to scale back activity and manage costs prudently, preserving value through the cycle, just as we did in 2020.

We are measured in making large-scale adjustments to activity levels for two key reasons. First, our high-quality, low breakeven inventory in our current development programs; and second, the proven benefits of sustaining long-term operational efficiencies. Many of the significant capital efficiency gains achieved in recent years stemmed from maintaining steady development programs with consistent rig lines and frac crews. Disruptions to that continuity can take months and, in some cases, longer to fully recover.

As I highlighted today, maintaining steady operations continues to drive material capital efficiency improvements, which remain the most durable and impactful form of capex reduction. Our focus is not solely on maximizing free cash flow in 2025, but on sustaining strong cash flow generation potential over the next several years and preserving value.

At Oxy, we are approaching this environment with discernment and discipline. Our focus remains on protecting and compounding value across cycles, not overreacting to volatility, but positioning through it. I'll now hand the call over to Sunil to review our financial performance and discuss the enhanced guidance in more detail.

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**Sunil Mathew** - *Occidental Petroleum Corp - Senior Vice President and Chief Financial Officer*

Thank you, Vicki. In the first quarter of 2025, we generated an adjusted profit of $0.87 per diluted share and a reported profit of $0.77 per diluted share. The difference between adjusted and reported profit was largely driven by the mark-to-market impact of derivatives in our marketing business.

During the first quarter, strong operational execution enabled us to generate approximately $1.2 billion of free cash flow before working capital, and we exited the first quarter with $2.6 billion of unrestricted cash. We had a negative working capital change, which is typical for the first quarter as a result of semi-annual interest payments on our debt, annual property tax payments, and payments under our compensation plans.

Additionally, the first quarter included $350 million of 2024 tax payment as part of the federal disaster relief program following Hurricane Beryl. Though we expect the working capital change to partially reverse over the remainder of this year, the second quarter will also include another $110 million tax payment associated with the same program.

As Vicki highlighted, all three segments delivered strong results and exceeded our original expectations. The outlook for the remainder of the year has a positive trajectory and the operational strength demonstrated this quarter provides a solid foundation for the improved corporate guidance, which I will turn to now.

Looking ahead to the second quarter, the midpoint of total company production is expected to modestly increase compared to the first quarter annual low of 1.39 million BOE per day. The production increase is driven from several sources, including Permian activity levels, the completion of annual plant maintenance at Dolphin, and the return of Gulf of America production following seasonal maintenance projects.

This growth more than offsets a turnaround in Al Hosn – currently planned in the second quarter, and the impact from first quarter divestitures, which included a reduction of over 15,000 BOE per day in the Rockies. Though we revised full year Gulf of America production guidance down due to some discretionary capital optimization, including deferring one development well into 2026, it is fully offset by Permian time-to-market driven acceleration from realized efficiencies.

We are maintaining our total company production guidance for the year, though the modified production mix is expected to slightly reduce annual total company oil cut. The shift in production mix resulting from the previously referenced divestitures, along with maintenance activities in the Gulf of America are key factors behind the elevated domestic operating expense per BOE guidance for the second quarter. That said, as Vicki noted earlier, we are reducing our full year operating cost guidance from $9.00 to $8.65 per BOE, reflecting our commitment to driving operational efficiency.

We had a strong start to 2025 in our chemical business and overcame some short-term operational impacts limited to the first quarter. While uncertainty remains around global trade, we anticipate modest domestic demand growth in the caustic and PVC markets through the second and third quarters. We also expect some rationalization of domestic capacity in the second half of the year that should help rebalance some of the recent supply growth in the domestic market.

As Vicki highlighted, our midstream teams are well positioned to capitalize on gas marketing opportunities. Strong execution and outperformance enabled us to raise Midstream' s full year guidance range by $40 million. While we do not expect these market conditions to persist, the results underscore the strength and reliability of our capabilities during periods of volatility.

Looking ahead to the second quarter, we expect Midstream earnings to decrease as a result of declining commodity prices and the associated timing of delivery and cargo sales. However, this will be offset by mark-to-market adjustments, which is a byproduct of our strategy to preserve margins in oil marketing. In terms of capital spending, our first quarter results were in alignment with the 2025 business plan and a capital program that is weighted towards the first half of the year at approximately 55%. Driven by our confidence in maintaining realized efficiency gains, we elected to release our Delaware Basin rig in April and plan to release another in early Q3. Through continued optimization of infrastructure and operational spending across our domestic assets, we have reduced our capital guidance range by $200 million without impacting total company production. Combined with the $150 million in projected operating cost reductions, this is expected to deliver a positive cash impact of $350 million in 2025. Before I close, I would like to expand briefly on Vicki's comments regarding how we are positioning the company financially. Debt reduction remains a core priority as demonstrated by a consistent pace of repayments and the diversified sources of capital contributing to that progress. We were pleased with the results of our March program to temporarily reduce the common warrant exercise price, an initiative that allowed us to retire $900 million of debt in April.

With all common warrants expiring in 2027, this modest acceleration meaningfully enhanced our deleveraging trajectory. As Vicki mentioned, we continue to actively evaluate divestiture opportunities that align with our strategic priorities and enhance long-term value while maintaining our disciplined approach to execution.

We have successfully navigated through prior cycles of volatility, and we are prepared to do so again. All 2025 maturities have been retired, leaving us well positioned with minimal debt obligations over the next 14 months. Our short-cycle U.S. onshore portfolio gives us tremendous capital flexibility, and our detailed scenario planning will enable us to act decisively while preserving long-term value.

Importantly, we continue to be excited about the strong rate of change story unfolding across our midstream and chemicals segments, which are less exposed to commodity price risk. In Midstream, starting this quarter, we will begin to see the benefits of our revised crude transportation contracts at lower rates, which will deliver a pre-tax cash flow uplift of approximately $200 million in 2025 and $400 million annually beginning in 2026.

In the chemical business, the Battleground modernization and expansion project will provide a significant uplift in earnings over the next several years. When combined with the anticipated roll-off of this capital investment, the completion of STRATOS, and the reduction in interest expense as we pay down debt, we are expecting approximately $1 billion in incremental pre-tax free cash flow from non-oil and gas sources in 2026, with even further expansion in 2027.

As we have outlined on today's call, we are entering the remainder of the year with strong operational momentum, a strengthened financial position, and a flexible operating framework. These advantages give us confidence in our ability to deliver consistent results, preserve value through commodity cycles, and drive long-term shareholder returns. I will now turn the call back over to Vicki.

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**Vicki Hollub** - *Occidental Petroleum Corp - President and Chief Executive Officer*

Thank you, Sunil. As we move forward, we remain focused on strengthening the balance sheet, increasing returns to shareholders, and contributing our significant resource base to advancing U.S. energy leadership. Above all, we are building a high-performing, resilient business to deliver strong results across commodity cycles through disciplined capital allocation, operational excellence, and an unrelenting focus on value creation.

With that, we'll now open the call for questions. As Jordan mentioned, Richard Jackson and Ken Dillon are here with us today for the Q&A session.

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## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) Devin McDermott, Morgan Stanley.

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**Devin McDermott** - *Morgan Stanley & Co LLC. - Analyst*

I wanted to start on the capex and opex reductions for this year. It seems like a mix of efficiency gains and then some shuffling around of timelines. You did a good job describing the Permian rig cuts, but can you talk a little bit more about the other buckets, infrastructure, Gulf of America and then opex, I think, is in reference to enhanced oil recovery? And as part of that, are there any impacts on 2026 production or capital from these changes that we should be thinking about?

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**Vicki Hollub** - *Occidental Petroleum Corp - President and Chief Executive Officer*

Yes. There's a mix of both of those. And we'll start with you, Richard, for the Permian.

**Richard Jackson** - *Occidental Petroleum Corp - President Operations, U.S. Onshore Resources and Carbon Management*

Yes. Great. Thanks, Devin. Appreciate the opportunity to talk through this. The teams have spent a lot of time and continue to do so really every year, thinking through our programs in the different scenarios, like Vicki said, focused on, of course, near-term free cash flow, but important to us is maintaining these cost efficiencies or these operational efficiencies for longer-term cash flow.

And so as we look through that, just kind of a decision framework from a U.S. onshore perspective that might be helpful, continue to add cost efficiency. I think we shared certainly at the end of last year and then now in the first quarter, continued year-on-year performance improvement across well cost and operating expense. We look at our cost structure opportunities with supply chain and continue to look for opportunities there. And I'm sure Ken and I can provide more color there if interested.

We look at infrastructure like you mentioned, in terms of capital facilities often. And as we think about the Permian in particular, we're able to optimize that. These are multi-year projects that support our development, and we can optimize that, but we've also been able to find synergies even in the Midland Basin with our OxyRock assets.

And then we get the opex. And like you mentioned, opex for us, especially with our enhanced oil recovery business, provides a lever for us to continue to work with when we're looking at maximizing cash flow. So for us, from a opex perspective, we look at things like direct costs like CO2 volumes and price, and our teams do a great job of optimizing around that. And then downhole maintenance is a big one for us. It's really doing well service work.

And it really starts from our operating teams having a great approach to really that operating production system. The thing we wanted to point out, we've had a great failure reduction, so when you think about beam pumps in our operations. If we go back to 2023, we've had a 20% reduction in the failure of beam pumps. Well, what that means is you don't have to deploy rigs and services to repair down wells. And so our downhole maintenance rigs, we dropped over 30 over the last two years.

And so as we think about both the capital and the opex, we do see these as sustainable as we go into next year, and it's just really great work over the last few years from our teams to help deliver that capability.

**Devin McDermott** - *Morgan Stanley & Co LLC. - Analyst*

Okay. Great. And then sticking with free cash flow and capital, I like the updated guidance on the free cash flow inflection over the next few years. I was hoping you could break it apart a little bit further and talk about how much of that is coming from the incremental operating cash flow versus reductions in capital spending. Just trying to think through the evolution of non-oil and gas capital in both chemicals and low carbon embedded in those numbers.

**Vicki Hollub** - *Occidental Petroleum Corp - President and Chief Executive Officer*

Great. Before we go to Sunil to answer that, I forgot, Devin, to hand it over to Ken, who has some information you can share with you about the Gulf of America projects that we have.

**Kenneth Dillon** - *Occidental Petroleum Corp - Senior Vice President and President, International Oil and Gas Operations*

As Sunil mentioned, we rescheduled some of our activities associated with the medium-term projects spending $100 million less this year. No funds have been diverted from drilling and completion. So this gives us a chance to further optimize the design of the waterfloods and maybe also benefit from deflation that we're starting to see. Given it's a waterflood mainly, we have some potential to play catch up later without impacting the overall project. We also deferred a platform well from this year into next year. That will give us a chance to optimize the old platform program next year and also benefit from deflations too.

**Sunil Mathew** - *Occidental Petroleum Corp - Senior Vice President and Chief Financial Officer*

Hi Devin. So regarding your question around the cash flow inflection. So if you refer to slide number 14, so I'll start with the Chemicals segment first. So as we have said, the peak spending for the Battleground project is 2025 – it's around $600 million. Next year, it's expected to come down to $300 million. So as you look at 2026, that is a $300 million saving on the capex side.

And the project is expected to start up mid-next year. So it's an incremental operating cash flow of around $160 million once the project starts up. So that gets you to the $460 million.

And on the Midstream side, like we said, there are two oil transportation contracts at lower rates that are expiring this year. So one happens in end of Q1. The next one is end of Q3. So for this year, we get a benefit of around $200 million, and we get the full benefit of $400 million next year. And then with the roll-off of STRATOS spending, that's another $250 million. So next year, within the Midstream segment, you're looking at $450 million of cash flow improvement.

And the last one is on the interest reductions as we pay down debt. So what we have assumed is all debt that is maturing in '26 and '27 – we just paid down as it matures. Now that was just the assumption that we used to come up with this estimate. That is not the plan, but that's how we came up with the $135 million improvement in cash flow from interest expenses. So that gets you to the $1 billion.

And for 2027, you get the benefit of the full $600 million capex reduction from the Battleground project. You get the uplift on operating cash flow once the project is fully online. And you have the interest payment reductions for both '26 and '27.

**Operator**

Doug Leggett, Wolfe Research.

**Doug Leggett** - *Wolfe Research, LLC - Analyst*

Vicki, I wanted to come back on my first question on one of the comments you made, and I want to make sure I'm not misquoting here, but you said we're going to accelerate deleveraging and look at all the options, including potential disposals. You obviously, your debt maturity profile, as Sunil has pointed out, is relatively shallow now over the next couple of years.

So the implication is that you would put cash on the balance sheet, which obviously reduces net debt. I'm just curious if you can elaborate on what you're thinking in terms of disposals and whether - with the midstream ramp-up of WES might make it onto that list?

**Vicki Hollub** - *Occidental Petroleum Corp - President and Chief Executive Officer*

Well, we can't really say exactly what we're going to do, but we can say with confidence that we will achieve the debt reduction that we have maturing in 2026. We would like to get that at least partially paid off this year, but we know we can achieve that certainly by the maturity. And as we've done with all the other debt that we've paid off thus far, accelerating it would be better for us in our view.

But we still -- we do want to keep a healthy balance of cash on the balance sheet, but pay the maturities as we can. So growing cash on the balance sheet isn't in the near-term plan, but after we pay off 2026 maturity, that could be a possibility.

**Doug Leggett** - *Wolfe Research, LLC - Analyst*

That's really helpful. My follow-up is, again, related to free cash flow, but it really kicks off with the level of spending you have currently, a lot of the projects, as Sunil pointed out, particularly Battleground, but also DAC is rolling down next year. And I guess my question is, would you anticipate replacing that capital with other projects, such as Mukhaizna, for example? Or do you envisage the absolute level of spending moving to a lower normalized level once these major projects are done?

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**Vicki Hollub** - *Occidental Petroleum Corp - President and Chief Executive Officer*

Yes. We expect that the capital will be lower next year. At what level, we haven't determined that yet, but we wouldn't replace the cost of those projects that we're completing with additional capital.

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**Operator**

Arun Jayaram, JPMorgan.

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**Arun Jayaram** - *J.P. Morgan Securities LLC - Analyst*

I wanted to get your thoughts, maybe a follow-up to Doug's question on divestitures. Vicki, at this point in the cycle, do you think it would be a better time to sell, call it, short-cycle assets in this type of environment? Or would you lean towards thinking about more long-cycle assets within the portfolio? Just trying to get a sense of how you'd evaluate divestitures at this point in the cycle?

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**Vicki Hollub** - *Occidental Petroleum Corp - President and Chief Executive Officer*

Well, the good thing is we have several options. And so we always -- it's always value-based for us. There are still companies wanting to get into the Permian no matter what the cycle because most of us have a long-term view that oil prices over time are going to recover, probably not at the level we want this year or next year, but there's going to come a time when prices, especially given the lack of exploration success around the world and the fact that the largest 20 reservoirs in the world were discovered before 2000.

So we think that there's going to come a time when oil resources are not going to be easily found or replaced. And so with that in mind, we do believe that companies realize that. And so whether it's oil assets or otherwise, we'll get the best value that we can and make the decision on that basis.

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**Arun Jayaram** - *J.P. Morgan Securities LLC - Analyst*

Great. And maybe just a follow-up, shifting gears, you highlighted some new value enhancement opportunities in Oman. Maybe you could kind of unpack kind of the opportunity set in Block 53 and your North Oman discovery you announced?

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**Vicki Hollub** - *Occidental Petroleum Corp - President and Chief Executive Officer*

Yes, I'd say we're very excited about that. And Ken was you or Sunil, who's going to take that. Sunil is going to take that. Good deal.

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**Sunil Mathew** - *Occidental Petroleum Corp - Senior Vice President and Chief Financial Officer*

Yes. So maybe I'll stop and then hand it over to Ken. No, definitely, we are very excited about these opportunities. And Vicki did mention about cash flow improvement. Now at this point, although we cannot provide any guidance on any specific operational or financial metrics. I mean, all we can say is that we expect uplift in cash flow compared to where we are today, while also being resilient at lower oil price being a PSC. So we are excited about that.

And the other thing is, we disclosed the production by country and on total international operating costs. So you should see flow through once we sign the contract in terms of what the uplift is. So definitely very excited about the extension, the Block 53 extension, and the Oman North gas discovery. So now I'll let Ken talk about why we are so excited about this.

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**Kenneth Dillon** - *Occidental Petroleum Corp - Senior Vice President and President, International Oil and Gas Operations*

So thanks, Sunil. As you can see, we're having a great year in Oman. The vision of the Minister of Energy is to unshackle the resources of the country, and we're delighted to play our part in this vision. Block 53 has very large inventory potential, as you can see from the slide, and we know it well. To date, we produced over 640 million barrels and currently operate 3,500 wells in the block with an incredibly strong operational team.

As Vicki said, we see opportunities in all aspects, low decline EOR projects as well as conventional and exploration. These are projects that are competitive with any other Oxy investment. Like Richard said, we're focused on improving efficiency and in Oman that's no exception.

We've had reductions in drilling cost per foot in Block 53 by 50% over the last three years. On expense the same story as resources, our artificial lift performance has improved so significantly that our work over rig cost per barrel is reduced by 50% over the same period. Again, we'd like to thank the government of Oman, the Energy Minister, and his team for all their efforts in making this happen.

On Baqiyah, it's really great news. Our exploration team as well as being really skillful – they're also very persistent and they've been rewarded with success here. Vicki described the discovery. We're now exporting and selling and getting early reservoir data.

Exploration also had another small discovery on the same block, which is also on stream and being assessed. Both were brought online in less than 13 weeks. In Block 9, where we had record production last year after 40 years, we continue with our CO2 EOR pilot. We're getting very encouraging results with no breakthrough. So we continue to be very positive about the project. So overall, a great quarter for Oman.

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**Vicki Hollub** - *Occidental Petroleum Corp - President and Chief Executive Officer*

Yes. So Oman is a country that keeps giving.

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**Operator**

Neil Mehta, Goldman Sachs.

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**Neil Mehta** - *Goldman Sachs & Company, Inc - Analyst*

Just wanted to get your perspective on the Low Carbon Ventures business. You got some important milestones coming up as it relates to STRATOS here. And just so just help us unpack how you're thinking about derisking those, and how the changing policy environment could affect the potential returns associated with at least Phase 1 of the project?

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**Vicki Hollub** - *Occidental Petroleum Corp - President and Chief Executive Officer*

Yes. I think it's very exciting. And Richard can give more detail with respect to the policy. There's such a strong voluntary compliance market and so many corporations that have committed to become carbon neutral that, in the interim, as we're building our DAC business toward a business that will use CO2 for enhanced oil recovery to get more oil out of the existing reservoirs that we have here in the United States to help extend our energy independence here.

As we're building towards that, the voluntary compliance market for carbon reduction credits will continue, I believe, to help us build a bridge between now and making the EOR realizations happen over time. And Richard, you have more detail?

**Richard Jackson** - *Occidental Petroleum Corp - President Operations, U.S. Onshore Resources and Carbon Management*

Yes. Just maybe a couple of points to add to Vicki's. I mean I think sort of trajectory, a couple of things that we are excited about. One is our R&D progress. So I think specific with direct air capture, we continue to see accelerated just exciting cost down vision coming out of our team from Carbon Engineering.

So when we look at that, we disclosed as we went from Phase I to Phase II, some of the changes and the reduction of process components and the savings associated with that – that continues. So we're excited about that piece of it.

The other component, as we think about schedules – is the returns have to be competitive. So we've looked at that and how to do that derisking through R&D is one important component of that. But the operations with STRATOS coming online in the second half of this year and then the market support that Vicki described are all important decision criteria for us to FID going forward.

I would say partnerships is the other piece of that. And so we look forward to, as we create the market and the cost-down and the development opportunity to have those development partners with us. So that really goes across all of our low-carbon efforts.

And the final thing I would say, we just, as Vicki mentioned, with EOR continue to see all of these technology choices were to fit our integrated value. And so we see it not just in the tech development but also our cost as a core part of our Oxy business.

**Neil Mehta** - *Goldman Sachs & Company, Inc - Analyst*

And then the follow-up is, I always value your thoughts on the oil macro and you're always willing to talk about how you think about moving pieces, including U.S. oil supply. So just get your latest thoughts. A couple of years ago, I know you guys were pretty constructive on the long-term for oil because of the underinvestment in exploration. But obviously, a lot of moving pieces here now as we think about this year. So near-term, long-term, and thoughts on U.S. supply?

**Vicki Hollub** - *Occidental Petroleum Corp - President and Chief Executive Officer*

Yes. As you know that most of the shale basins now have either plateaued or starting to decline, except for the Permian. And the Permian was really making up for the decline of the other basins. But the Permian, I believe, is, if companies continue to talk about dropping activity levels, I think the Permian could plateau sooner than we expected - and we had expected the Permian to continue growth through 2027.

And we had expected that U.S. production overall would peak between 2027 and 2030. It's looking like with the current headwinds or at least volatility and uncertainty around pricing and the economy and recessions and all of that - it's looking like that peak could come sooner. So I'm thinking right now the Permian is, if it grows at all through the rest of the year, it's going to be very little.

**Operator**

Jean Ann Salisbury, Bank of America.

**Jean Ann Salisbury** - *Bank of America Securities - Analyst*

Thank you for the walk through on the free cash flow inflection in response to an earlier question. Can you just clarify if there's been any additional midstream re-contracting or chemical project benefits added? Or if it was more of a reframing of the overall picture, but those specific components are unchanged?

**Sunil Mathew** - *Occidental Petroleum Corp - Senior Vice President and Chief Financial Officer*

That's right. Nothing has changed. These were the two oil transportation contracts that were expiring in Q1 and Q3, which we had outlined earlier and the other benefit was on the Battleground expansion project. So there's nothing new.

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**Jean Ann Salisbury** - *Bank of America Securities - Analyst*

Okay. Great. And then I believe you kind of talked about one component of the lower operating costs coming from EOR. Can you give any more color around how you expect this to change the relative mix of EOR in the portfolio going forward, if at all?

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**Richard Jackson** - *Occidental Petroleum Corp - President Operations, U.S. Onshore Resources and Carbon Management*

Yes. Perfect. Yes, again, these sort of efficiencies we expect to really carry through more from a cost structure basis. Again, we didn't change production as part of this. And so it's things like continuing to work on operations efficiency, really optimizing CO2 through our reservoirs and how we do that. And so, if anything, it's expanding margins and continuing to improve the competitiveness of EOR in our portfolio.

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**Operator**

Paul Cheng, Scotiabank.

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**Paul Cheng** - *Scotia Howard Weil - Analyst*

Vicki, just curious that if we're looking out into 2026 and '27, on your momentum of this year cost saving, what's the potential that we could expect for those two years? And how big of the opportunity set that we may be talking with that you see the most opportunity set?

The second question is that, I mean, maybe with your comment earlier, talking about you think the U.S. could see production maybe pick up, say, somewhere between 2027 to 2030 or maybe even a bit earlier if people continue to cut back. From a portfolio standpoint, should we assume that Oxy at some point over the next several years would like to substantially increase your activity level outside the U.S. then? And if that's the case, where do you see the most opportunities?

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**Vicki Hollub** - *Occidental Petroleum Corp - President and Chief Executive Officer*

Okay. I'll answer the second question first. And that is that I just want to go back and share with you some of what we've done to get our portfolio to where it is today. Going way back in time about 10 years ago, we were only producing about 650,000 BOE per day. Now our production is 1.39 million barrels per day.

In 2015, 50% of our production was from international locations. Today, 83% is in the United States. We exited several countries but stayed only in the countries that are business focused and where we can see significant upside. In 2015, our oil and gas resources totaled 8 billion, with 2.2 billion of that in proved. But today, we have 14 billion of total resources, oil resources with 4.6 billion in proved reserves.

And in 2015, only 16% of our proved reserves and 25% of our total resources were shale, the rest was conventional. And today, 60% of our proved reserves and 55% of our total resources are shale. So what we've done over the past 10 years is we've taken our portfolio and expanded significantly in the shale, so that we have more than a decade, maybe up to 15 years of development in the shale.

But what people don't usually get is that we also have -- in addition to the shale, we have about 6 billion identified today of resources and conventional areas around our country -- I mean, our company. So right now that -- and I believe that 6 billion of additional resources is light when you consider the fact that we're doing AI work in the Gulf of America.

We're also doing some work around waterflooding, doing additional enhanced oil recovery there, production optimizations. So the Gulf of America is going to add to the 6 billion of conventional that we have. Also in Algeria, having just obtained the largest onshore 3D seismic survey, we expect that we'll get out of that upside that we can continue to add to the 6 billion.

And then in Oman, as Ken mentioned, where he was talking about the gas block and what we've discovered there, that could be bigger. There could be -- where you find gas and you see structures around it, that means those other structures could have gas, same with the oil discovery. And we're continuing to make progress in the Block 9 and 27 where we have previously been working.

So we have growth there. So when you look at those three areas and the growth potential that we could have, we just haven't done the appraisal work yet that we need to do, but we are almost going to be equivalent from a conventional resource perspective as we are from a shale perspective.

And so that's going to extend our development potential well beyond the 15 years because you layer on top of that the fact that this direct air capture technology that we're developing is going to help us extract CO2 that could then enable us to do enhanced oil recovery and not only the reservoirs in the U.S., but the reservoirs in Oman, Algeria, and potentially in Abu Dhabi as well.

So we have -- as you were alluding to, we do have a lot of additional resources. So we've made the transformation from an asset standpoint, and we're getting close to rounding the quarter with our debt reduction. I believe that is going to unlock a lot more value for our shareholders than most people have anticipated. So we're pretty excited about that, and ready to keep going with it.

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**Operator**

Leo Mariani, Roth.

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**Leo Mariani** - *Roth Capital Partners, LLC - Analyst*

Just wanted to follow up on some of the capex and opex reductions here in '25. So I know you guys are dropping a couple of rigs and it sounds like cutting some EOR capex in the Permian, totally understand there's not really a near-term production impact, but if you look out over the next year or two, do you see some modest production impact from some of those cuts at this point? Or do you think you can kind of make that up with further efficiencies over time?

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**Vicki Hollub** - *Occidental Petroleum Corp - President and Chief Executive Officer*

Yes. We made the decisions that we made because we absolutely did not want to sacrifice production in the outer years, '26 and '27, basically because that's cash flow that could be used to create additional value. So we're looking for high-return cash flow. And so those decisions that were made can support that. And so we can, first -- don't let me get off track here, but let me get to Richard on some of the opex specifics.

And then I want to go to Ken after that with supply chain who could address some of the cost reductions that certainly are going to help us without any impact on production.

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**Richard Jackson** - *Occidental Petroleum Corp - President Operations, U.S. Onshore Resources and Carbon Management*

Thanks, Vicki. Yes, I'll just add quickly. I mean, again, both -- I mentioned more on the opex, but on capital, again, efficiency related. This two-rig drop was really an acceleration. So if you think about our program during the year, we were able to compress that drilling efficiencies.

We noted, I think, in the highlights slide, that added 15 net wells online for the year and over 30-rig releases. And so that enabled us to do more with less. We're able to drop the rigs. The part of the capex was really this facilities and infrastructure. Again, optimizing that over multi-year, the way we have scale and our operations provides that capability.

And then the one tidbit on that – great opportunity came out of the CrownRock in our legacy Midland development where we were able to utilize one of their existing central facilities without building a new one for that operation. So that was several million dollars. So it's all things like that are really optimizing without that production or cash flow degradation, but definitely -- the other important piece of this is supply chain. So I want to let Ken discuss that.

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**Kenneth Dillon** - *Occidental Petroleum Corp - Senior Vice President and President, International Oil and Gas Operations*

Thanks, Richard. We've been through the cycles many times over the years. We understand the process. In terms of supply chain, it's about continuing to get best-in-class performance while trying to accelerate deflation of goods and services on both the capex and the expense side. We're working with our Tier-1 relationship companies who have scale and who also understand the market.

15 companies make up 40% of our spend domestically. At the same time as we're doing that, we're also receiving offers of reductions from viable vendors, both domestically and internationally. And something we've not heard for quite a few years as a lot of people are talking about market share rather than margin in this environment and the benefits of it. So we see benefits going forward into next year related to deflation and managing services going forward.

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**Leo Mariani** - *Roth Capital Partners, LLC - Analyst*

Appreciate that. Wanted to switch gears to the Chemicals business a bit here. Just kind of looking at your first half outlook for '25, you guys are expecting around $435 million or so of operating income there. Your full year guide is $900 million to $1 billion. Just wanted to kind of square the circle there.

Should we be thinking that maybe Chems is going to be a little bit towards the lower end kind of based on where we are in some of the economic uncertainty at this point? And maybe you can just provide a little bit more kind of color on how you're thinking about Chemicals and the outlook going forward?

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**Sunil Mathew** - *Occidental Petroleum Corp - Senior Vice President and Chief Financial Officer*

So maybe I'll first start with the market dynamics and then get to your questions. So in terms of demand, starting with PVC, we expect the domestic PVC demand to grow by around 4% to 5%. Internationally, economic conditions in China is still challenging, and the oversupply in China is weighing on the export market.

And if you look at China's PVC exports, it has grown significantly over the last few years. The export market share has grown from almost 0 in 2020 to around 30% in 2024. So these lower export prices also put downward pressure on domestic prices.

And now shifting to the caustic side, domestic demand is expected to be quite similar to last year. And on the pricing side, the recent Gulf Coast expansions that came online in late 2024 is expected to maintain the pricing pressure. But the rationalization of domestic capacity, which is targeted for the second half, should help rebalance the market and improve pricing.

So if this rationalization happens earlier than what we have forecasted or the Chinese economy does better than market expectations, that will definitely help with the pricing. Now coming to your question around second half versus first half. In Q1, we were impacted by several short-term events, the winter storm, unplanned outage at our Ingleside facility and also increased raw material cost – mainly ethylene and natural gas.

So in later part of Q2 and as we move into Q3, we expect to see improvements in demand and pricing as domestic and foreign producers continue to rationalize supply. Also, the recent drop in ethylene and natural gas price should also help with the earnings in the second half. So there is still quite a bit of uncertainty around how the demand and pricing will play out for the rest of the year, but there's also potential tailwinds from lower cost.

So currently, we expect the full year income to be within the guidance range, but we should have more clarity after the second quarter. So we decided to wait for another quarter before making any adjustments to the full year guidance.

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**Operator**

In the interest of time, this concludes our question-and-answer session. I would now like to turn the conference back over to Vicki Hollub for any closing remarks.

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**Vicki Hollub** - *Occidental Petroleum Corp - President and Chief Executive Officer*

Thank you all for your questions and for joining our call today. Have a great rest of your day. Thanks. Bye.

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**Operator**

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect your lines.

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